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FISCAL IMPACT STATEMENT

LS 6560 **NOTE PREPARED:** Dec 16, 2010
BILL NUMBER: SB 382 **BILL AMENDED:**

SUBJECT: Industrial Recovery Tax Credit.

FIRST AUTHOR: Sen. Charbonneau **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State
DEDICATED
FEDERAL

Summary of Legislation: This bill provides that a vacant industrial facility must be at least 25,000 square feet instead of at least 250,000 square feet.

Effective Date: January 1, 2012.

Explanation of State Expenditures: *Indiana Economic Development Corporation (IEDC)*: This bill could potentially expand the pool of entities that are able to qualify for the Industrial Recovery Income Tax Credit (IRITC). If IRITC applications increase as a result of this bill, the IEDC could potentially incur additional administrative expenses.

Department of State Revenue (DOR): This bill makes several changes to the IRITC. The DOR would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to reflect the change. The DOR's existing level of resources should be sufficient.

Explanation of State Revenues: *Summary* - The bill could potentially increase the pool of industrial facilities eligible for the IRITC beginning in tax year 2012. Depending upon designation of industrial recovery sites by the IEDC Board, the bill could potentially reduce revenue from the Adjusted Gross Income (AGI) Tax, Insurance Premiums Tax, and Financial Institutions Tax beginning in FY 2013. However, the extent of this fiscal impact is indeterminable.

Background Information - Under current statute, the IRITC is based on a taxpayer's qualified investment in a vacant industrial facility located in a designated industrial recovery site. The IEDC must approve applications and plans for rehabilitation in order to receive this tax credit. The amount of the credit is equal to the qualified investment made during the taxable year, multiplied by one of the applicable percentages below:

(1) 15% for a plant located on an industrial recovery site that was placed in service between 20 and 30 years ago;
(2) 20% for a plant located on an industrial recovery site that was placed in service between 30 and 40 years ago; or
(3) 25% for a plant located on an industrial recovery site that was placed in service at least 40 years ago.

For tax year 2008, six individual taxpayers claimed $40,877 in tax credits, and corporate taxpayers did not claim any tax credits. The IRITC is nonrefundable, but unused credits may be carried forward. Unused credits may not be carried back. The tax credit may be applied against individual or corporate AGI Tax, Financial Institutions Tax, and Insurance Premiums Tax liabilities.

Revenue from the AGI Tax, the Financial Institutions Tax, and the Insurance Premiums Tax is distributed to the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; IEDC.

Local Agencies Affected:

Information Sources: OFMA Income Tax Databases.

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